

# DUNEDIN RAILWAYS

---



## STATEMENT OF INTENT

### For the Year Ending 30 June 2022

## TABLE OF CONTENT

Table of Content .....	2
1. Introduction .....	3
2. Objectives.....	3
3. Nature and scope of activities .....	3
4. Approach to Governance .....	3
5. Performance Targets .....	4
6. Financial Forecasts .....	5
7. Accounting Policies .....	5
8. Dividend Policy .....	5
9. Commercial Value of Shareholder's investment .....	6
10. Transactions with Related Parties .....	6
11. Other matters as agreed by the Shareholder and the Board .....	6

## **1. INTRODUCTION**

Dunedin Railways Ltd (DRL or the Company) previously operated tourist train services. The Company is now in hibernation, maintaining assets pending evaluation and consideration of options for the Company and its assets. DRL is a wholly owned subsidiary of Dunedin City Holdings Ltd which is wholly owned by Dunedin City Council.

This SoI sets out DRL's planned activities and financial forecasts for the next three years. It includes performance measures and targets which will be reported against in DRL's 2022 Annual Report.

## **2. OBJECTIVES**

As a Dunedin City Council Group company, DRL aims to contribute to the Dunedin City Council's strategic framework and achievement of city objectives.

As defined in section 59 of the Local Government Act 2002, the principal objectives of CCOs are to:

- a) achieve the objective of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent; and
- b) be a good employer as per clause 36 of Schedule 7 LGA); and
- c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

DRL conducts its affairs in accordance with sound business practice.

In 2021/2022, DRL intends to focus on sound maintenance of its key assets, pending decisions about the Company's long-term future. DRL's objectives and targets for the year, as set out below, support this focus.

## **3. NATURE AND SCOPE OF ACTIVITIES**

In support of its objectives, DRL maintains and operates rolling stock, track infrastructure and other related assets. The undertaking by DRL of any activity of a nature or scope outside of this would be subject to the prior approval of the shareholder.

## **4. APPROACH TO GOVERNANCE**

DRL is governed by a board of independent directors appointed by the Council. Directors meet regularly to direct and control DRL's proceedings.

The role of a Director of a CCO is defined in the Local Government Act 2002 as "to assist the organisation to meet its objectives and any other requirements in its Statement of Intent."

The DRL board operates in accordance with accepted best practice.

## 5. PERFORMANCE TARGETS

Goal	Objective	Performance Targets
<b>Manage the Hibernation Plan to protect and maintain DRL's assets</b>	Hibernation Plan in place and report against it to the Board	Hibernation Plan is prepared and reported on to the Board on a quarterly basis
<b>Ensure health and safety of our people</b>	Reduce harm to employees and contractors	Target zero lost time injuries
<b>DRL maintains a strategic direction that is consistent with the policies and objectives of the shareholder</b>	Ensure Statement of Intent is consistent with objectives of the shareholder	A draft 2022/2023 Statement of Intent will be submitted to the shareholder by 1 March 2022.
<b>Contribute to Council's Strategic Framework and Climate Change and Carbon Neutrality initiatives</b>	Contribute to Council's Carbon Neutrality initiatives	Systems for measuring and publicly reporting carbon emissions are established. DRL will develop an emissions reduction strategy and associated targets for inclusion in its 2022/2023 Statement of Intent
		DRL will develop a waste reduction strategy and associated targets for inclusion in its 2022/2023 Statement of Intent
<b>Communicate with the shareholder on a 'no surprises' basis</b>	Consult with the shareholders in a timely manner on DRL strategic or operational matters which could compromise Council's community outcomes	No such matters that were not escalated to the shareholder in a timely manner
	Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage	No such matters that were not reported to the shareholders within 24 hours

## 6. FINANCIAL FORECASTS

This section sets out DRL's financial forecasts for the next three financial years.

### **Ratio of Shareholder's Funds to Total Assets, and the definition of those terms**

	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024
Shareholder's Funds to Total Assets	66%	100%	100%

"Shareholder's Funds" are represented by the paid-up capital, reserves created by the revaluation of specific assets, and retained earnings. "Total Assets" means the aggregate amount of all current and non-current assets.

### **Estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders.**

	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024
Dividend distributions	Nil	Nil	Nil

### **Other Financial Forecasts**

	Year ending 30/06/2022 \$'000	Year ending 30/06/2023 \$'000	Year ending 30/06/2024 \$'000
EBITDA	(1,855)	0	0
<b>Net profit after tax</b>	(1,869)	0	0
Cash flow from operations	164	0	0
Capital expenditure	0	0	0
Term loans	0	0	0

The projections provided have been prepared using the best information available at the time of preparation.

## 7. ACCOUNTING POLICIES

### *General Accounting Policies*

The accounting policies recognised by the External Reporting Board (XRB) for the measurement and reporting of financial performance and financial position have been applied on a basis consistent with those used in previous years.

### *Particular Accounting Policies*

The particular accounting policies, which materially affect the measurement and reporting of financial performance and financial position, are consistent across the DCHL group and are fully listed in DRL's Annual Report.

## 8. DIVIDEND POLICY

DRL's current policy is not to pay dividends.

## 9. COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT

The commercial value of the Shareholder's investment in DRL is considered by the Directors to be not less than the Shareholder's funds as disclosed in the Statement of Financial Position published in the last Annual Report.

## 10. TRANSACTIONS WITH RELATED PARTIES

Dunedin City Council is the sole Shareholder of Dunedin City Holdings Limited.

Dunedin City Holdings Limited is the sole Shareholder in Aurora Energy Limited, City Forests Limited, Delta Utility Services Limited, Dunedin City Treasury Limited, Dunedin Railways Ltd, Dunedin Venues Management Limited and Dunedin Stadium Property Limited.

Dunedin City Holdings Limited owns 50% of Dunedin International Airport Limited.

Transactions between the Companies, Dunedin City Council and other Dunedin City Council controlled enterprises will be on a wholly commercial basis.

Charges from Dunedin City Council and its other entities and charges to Dunedin City Council and its other entities will be made for goods and services provided as part of the normal trading activities of each Company.

### **Related Party Transactions**

Dunedin City Council	Council rates for properties owned by DRL
	Lease of Council owned land
Dunedin City Holdings Limited	Funding for FY2022 operations Functions appropriate between Parent company (DCHL) and subsidiary (DRL)
Dunedin City Treasury Limited	Provision of debt funding to DRL generating interest payments to DCTL
Dunedin Venues Management Limited	Provision of administrative services to DRL

DCHL and its subsidiaries, including DRL, undertake to obtain all debt funding from DCTL, with exceptions as agreed with the Board of DCHL.

## 11. OTHER MATTERS AS AGREED BY THE SHAREHOLDER AND THE BOARD

*Information to be provided to the Shareholder*

Information	Quarterly	Half Yearly	Annual
Key financial and service performance indicators	✓	✓	✓
Statement of Financial Performance		✓	✓
Statement of Financial Position		✓	✓
Statement of Cash Flows		✓	✓
Statement of Movement in Equity		✓	✓
Notes to the Financial Statements		✓	✓
Statement of Service Performance against SoI targets		✓	✓
Directors' Report		✓	✓
Auditors' Report			✓
Draft Statement of Intent			Prior to 1 Mar
Final Statement of Intent			Prior to 30 Jun

*Working with the shareholder*

DRL will undertake to keep the Shareholder informed of all substantive matters, as set out in the performance targets above. DRL will work to build a culture of accountability and constructive working practices between DRL, Shareholder, and Ultimate Shareholder as required. It is expected that any conflicts that may arise will be resolved directly between the Shareholder and DRL, in accordance with appropriate governance practices.

*Acquisition / divestment of assets or shares in any company or organisation*

DRL will only invest in the shares of another company or invest in an entity if the investment is considered to be likely to produce added value to DRL. In order to maximise benefit to the Shareholder, shares or assets may also be sold in response to, or in anticipation of, on-going changes in the marketplace.

If the Directors intend that DRL should acquire assets, they will obtain prior approval of the Shareholder where an investment into the new assets exceeds \$500,000. For the purpose of this section, "asset(s)" includes a group of assets similar in type, cost and useful life that are purchased together and can be identified and maintained as one asset or group of assets following purchase.

If the Directors intend that DRL should subscribe for or otherwise acquire issued capital or an interest in any company or organisation (other than minimum holdings in listed companies in related industries) they will obtain prior approval of the Shareholder.

The approval of the Shareholder is required before disposal by DRL of any segment of its business, or disposal of any shares in a subsidiary or associated company where the value of the asset to be disposed of exceeds \$500,000.

*Compensation sought*

At the request of the Shareholder, DRL may undertake activities that are not consistent with its normal objectives. Specific financial arrangements will be entered into to meet the full commercial cost of undertaking such activities.

In FY2022, DRL will receive funding from its shareholder (DCHL) (acting on instructions from ultimate shareholder Dunedin City Council) in order to fund the cost of operations, which are expected to be loss-making.

*Group Facility Use*

DRL will undertake "Group" purchasing of goods and services, unless it is demonstrated conclusively to the Shareholder that the total combined cost of such Group purchasing to the Group and Dunedin City Council (including the costs of ceasing any such Group purchasing), is greater than any alternative identified.

*Other agreements*

DRL will not accept sponsorship or give naming rights to companies involved in activities deemed to be inconsistent with Dunedin City Council's ethical position.

DRL will disclose in its Annual Report the proportion staff receiving the living wage (as calculated by the New Zealand Family Centre Social Policy Unit).